ANNUAL REPORT

OF THE

Prince Edward Island
Land Development Corporation

Year Ending 31 March

1983

CHARLOTTETOWN, PRINCE EDWARD ISLAND

18 August 1983

The Honourable Prowse Chappell
Minister Responsible for the
P.E.I. Land Development Corporation
Charlottetown
Prince Edward Island

Honourable Sir:

In accordance with the Prince Edward Island Land Development Corporation Act, I enclose the report of the Corporation for the fiscal year ended March 31, 1983.

This statement includes the Corporation's audited financial statements for this period.

Respectfully submitted,

FREDERICK G. DOLLAR
Chairman of the Board

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MEMBERS OF THE BOARD OF DIRECTORS

PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

MARCH 31, 1983

CHAIRMAN	
Mr. Frederick G. Dollar	Farmer, Winsloe
VICE-CHAIRMAN	
Mr. Leslie Underhay	Farmer, Fortune
SECRETARY/TREASURER	
* Mr. Stanhope Moore	General Manager Land Development Corporation
MEMBERS	
Mr. Alexander Griswold	Dept. of Agriculture
Mr William Jay	P.E.I. Lending Authority
Mr. Lloyd Palmer	Dept. of Agriculture
Mr. Colbourne Clow	Farmer, Freetown
ADVISORY MEMBER	
* Mr. Robert Aumell	Farm Credit Corporation Moncton, New Brunswick

* Non-voting

THE PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

POLICY OBJECTIVE

"TO CONSERVE, DEVELOP AND ASSIST IN IMPROVING THE USE OF LAND IN PRINCE EDWARD ISLAND IN RELATION TO ITS CAPABILITY AND IN ACCORDANCE WITH THE PUBLIC INTEREST, BUT WITH A PRIMARY OBJECTIVE OF CONSOLIDATING GOOD AGRICULTURAL LANDS FOR THE PURPOSE OF INCREASING FARMER AND AGRICULTURAL SECTOR INCOME."

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

PROGRAM OBJECTIVES

The Land Development Corporation acts as land adjustment agent to:

(a) purchase and retain for farm use agricultural land which is offered for sale.

(b) assist developing and establishing farmers who require land by improving this land as necessary and by making this land available on reasonable terms.

(c) improve the pattern of land holdings and land use in certain areas by land consolidation and to bank lands as required.

(d) assist the livestock sector through the establishment and operation of Community Pastures.

(e) to transfer from agricultural use land unsuitable for agricultural purposes, and to act as government purchasing agent for the Forestry, Fish & Wildlife and Tourism, Parks and Conservation sectors.

PROGRAM AREAS

The program areas established in order to carry out these objectives include:

(a) Acquisition of land:
to acquire land by means of:

i) direct cash purchase from farmers desiring to sell their farm properties.

ii) the annuity program whereby farmers over 60 years of age could receive a monthly annuity for five years. The farm owner also has the option for a lifetime lease of his house and one acre of land.

(b) Dispersal of land:
the mechanisms set up for dispersal of land to farmers include:

i) sales — through direct cash, agreements of sale, or mortgage

ii) renewable five year lease arrangements with the option to purchase

iii) transfer of non-agricultural lands to other sectors for management.

REPORT

"The Land Development Corporation was designed as the vehicle to effectively bring about structural changes in agriculture, the most important of which are lands consolidation, farm unit organization and farm improvements. The Corporation can also play a key role in promoting desirable alternative use for rural lands, such as forestry, wildlife and recreation.

This statement which is found in each of the last thirteen Annual Reports, bears repeating. It is through programs such as those of the Land Development Corporation that the potential of the land resource may be realized thereby increasing income employment and contribution to the economic development of the Province. The wise and efficient utilization of the land resource is, therefore, one of the keys to the success of the Comprehensive Development Plan.

GENERAL MANAGER'S REPORT

The fiscal year ending March 31, 1983, was a challenging one for the management and staff of the Corporation. With interest rates peaking at an unprecidented high of 16.5% for Mortgages and 12.25% for Leases, decisions were sometimes difficult and time consuming. The Corporation purchased 72 properties consisting of 5,661 acres at a cost of $3,217,672.00. During the year, 73 properties were sold for cash, under a Mortgage, or under an Agreement of Sale. These sales represented, for the most part, properties that were under lease for a five year period and the Lessees opted to exercise their option to purchase. Credit extended to farmers during the year including Mortgages, Agreements of Sale, capital improvements, and leases totaled $3,647,375. This represents a decrease of 20% over the last fiscal year lending which was our highest on record at 90% over the previous year.

Interest rates peaked at an all time high during the year under review. At the beginning of the year Mortgage rates were 16.5% which tapered off to 13.25% by year end. Lease rates were at 11.45% during the first quarter which was at a slight increase over the previous year end rate of 11.40%. The rate reached its highest point of 12.25% during the second quarter and then dropped to 11.25% in the third quarter, and then made a further drop to 10% to finish the year.

A number of capital improvements were carried out by farmers on lands leased or mortgaged by the Corporation. These projects included drainage, building renovations, and construction of new buildings. These improvements were carried out on 19 properties at a total value of $206,335.00. The costs of these improvements are added to the option price of the lease or the capital balance of the mortgage.

During the year under review, the Corporation became more selective in the acquisition of properties in that only farms that could be immediately sold or leased were purchased. In this manner properties were not purchased to be held in inventory.

At the beginning of the year, the Corporation offered approximately 4,000 acres of woodland for lease with an option to purchase. By year end, approximately one-half of this acreage had been successfully leased.

During the past 18 months, we have experienced a slackening in the demand for farm land and a decrease in the price farmers are willing to pay for land to expand or start up a farming enterprise. This is a reflection of some local situations in the agricultural industry. Interest rates have remained relatively high contributing to higher costs of production. Potato prices for the 1981 and 1982 crops were exceptionally weak. The dairy sector was faced with significant quota reductions and the unavailability of quota for new farmers coming into the industry. The beef and hog sectors are facing some uncertainty in the areas of processing. With these situations, farmers are moving with some caution in expanding and acquiring additional debt.

To conclude this report, I acknowledge the co-operation received from the Chairman of the Board and its Members, the Minister Responsible, Hon. Prowse Chappell, and other provincial and federal departments with which our staff must work.

Respectfully Submitted,

W. S. MOORE, P. Ag.,
General Manager

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STAFF

BETWEEN 1 APRIL 1982 AND 31 MARCH 1983

W. Stanhope Moore	General Manager
Pamela J. Stewart	Secretary to General Manager
Ernest Hudson	Region No. 1 Manager
Frank Duguay	Region No. 2 Manager
Edgar Coffin	Region No. 3 Manager
George Harris	Agriculture Technician
Leola Callaghan	Property Mapping Technician
Leonard Keefe	Administrator

AUDITOR'S REPORT

To The Board of Directors
Prince Edward Island Land Development Corporation

I have examined the balance sheet of the Prince Edward Island Land Development Corporation as at March 31, 1983 and the statement of financial acitivities for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

T. Kaptein, C.A.
Auditor General

Charlottetown,
Prince Edward Island
July 29, 1983

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 1983

(with comparative figures at March 31, 1982)

ASSETS

	1983	1982
CURRENT ASSETS		
Cash	$ 212,176	$ 188,362
Accounts receivable - Trade - Note 3	1,480,604	980,512
Accrued interest	77,660	84,846
Property - held for resale - Note 9	4,036,364	3,026,876
- leased - Note 2	9,579,958	7,918,259
- A.R.D.A. properties - Note 6	39,849	43,449
Mortgages and agreements of sale - Current portion (Due March 31, 1984)	87,861	83,860
	15,514,472	12,326,164
OTHER ASSETS		
Community Pastures - Livestock - Note 4	—	1,244
LONG-TERM ASSETS		
Mortgages receivable	1,129,707	1,195,484
Agreements of sale receivable	573,271	593,403
	1,702,978	1,788,887
Less: Current portion	87,861	83,860
	1,615,117	1,705,027
Total Assets	$17,129,589	$14,032,435

(Notes 1 to 10 are an integral part of these financial statements)

STATEMENT 1

LIABILITIES

	1983	1982
CURRENT LIABILITIES		
Accounts payable		
- Province of Prince Edward Island	$ 1,561,730	$ 1,232,261
- General	30,817	40,003
- A.R.D.A. program - Note 6	23,744	24,176
- Accrued taxes	6,653	6,653
Notes payable - Province of Prince Edward Island	7,650,000	4,800,000
Long-term liabilities - current portion (Due March 31, 1984)	78,386	70,897
	9,351,330	6,173,990
LONG-TERM LIABILITIES		
Loans - Province of Prince Edward Island - Note 5	7,836,720	7,907,617
Less: Current Portion	78,386	70,897
	7,758,334	7,836,720
A.R.D.A. deferred profit on acquisition of properties - Note 6	19,925	21,725
	7,778,259	7,858,445
Total Liabilities	$17,129,589	$14,032,435

STATEMENT 2

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31, 1983

(with comparative figures for the year ended March 31, 1982)

		1983		1982
INCOME				
Provincial Appropriation		$ 642,941		$ 925,040
Lease income - Note 2		957,001		689,968
Interest earned		358,819		365,812
Community Pasture fees		—		97,394
A.R.D.A. Lease income - Note 6		2,822		1,041
Miscellaneous income		37,739		38,470
Profit on sale of property - Note 8		(14,653)		11,621
		$1,984,669		$2,129,346
EXPENSES				
Administration				
Salaries	$235,205		$283,915	
Office rental	20,123		24,502	
Office supplies and expenses	22,228		22,851	
Travel	11,115		17,261	
General	7,329		12,717	
Board members - fees and expenses	6,028		4,648	
Other rentals	2,152	$ 304,180	1,452	$ 367,346
Interest		1,568,709		1,260,516
Land transfer costs - Note 7		(8,241)		82,170
Community Pastures				
- development costs	—		99,754	
- operating costs - Note 4	—	—	98,787	198,541
Bad debts		27,766		84,086
Property purchases expenses		63,223		86,528
Property maintenance		29,032		44,516
Annuities		—		5,643
		$1,984,669		$2,129,346

(Notes 1 to 10 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1983

1. Summary of significant accounting policies:

   (A) Net Income —

   The financial statements of the Corporation do not reflect any net income. Government policy is that the Province of Prince Edward Island will absorb the profits or losses of the Corporation in the year in which they occur.

   (B) Inventory —

   The land and buildings held for resale or lease are valued at cost. It is the policy of the Corporation to recognize inventory purchases or sales at the time the funds are disbursed or received.

2. The majority of the leases are for a period of 5 years with the option to purchase at the end of the lease. The majority of the lessees in the past have exercised this option.

3. Accounts Receivable - Trade consist of the following:

	1983	1982
Agreement of Sale - principal receivable - Due March 31	$ 31,017	$ 25,271
Agreement of Sale interest receivable	86,267	67,023
Mortgages - principal receivable - Due March 31	43,422	42,538
Mortgage interest receivable	121,185	99,109
A.R.D.A. Lease income receivable	1,839	1,047
Community Pastures receivable	3,514	14,342
Lease income receivable	914,677	502,675
Parks Canada	409,015	282,822
Miscellaneous	12,048	62,929
	1,622,984	1,097,756
Less: Allowance for doubtful accounts	142,380	117,244
	$1,480,604	$ 980,512

4. Effective April 1, 1982, the Community Pastures Program is administered by the Department of Agriculture.

5. Loans payable — Province of Prince Edward Island, consists of $4,891,000 covered by an agreement between the Province of Prince Edward Island and the Government of Canada. Under this agreement Prince Edward Island Land Development Corporation is to make repayment in three installments — the twentieth, twenty-fifth and thirtieth anniversary dates. For the remaining loans payable, repayment is to be made on an annual basis to maturity. There are 35 separate loans with varying interest rates between 6 11/16% and 13 1/4% and maturity dates between 1997 and 2005.

6. Title to the A.R.D.A. properties was transferred to the Corporation during the year ended March 31, 1975. This transfer was made at a nil cost to the Corporation, however, the properties were recorded at their original cost under the A.R.D.A. program. Pursuant to the Federal-Provincial Cost Sharing Agreement half of the transfer amount was reflected as payable to the Federal Government and half as deferred profit to be recognized as the A.R.D.A. properties were sold. In addition, half of any lease income earned from the properties is also payable to the Federal Government.

7. Accumulated land transfer costs under the Land Leakage Program to March 31, 1983 totalled —

Buildings	$ 151,285
Land	5,213,351
	$5,364,636

8. Profit on the sale of property for the year ended March 31, 1983 was based on the following:

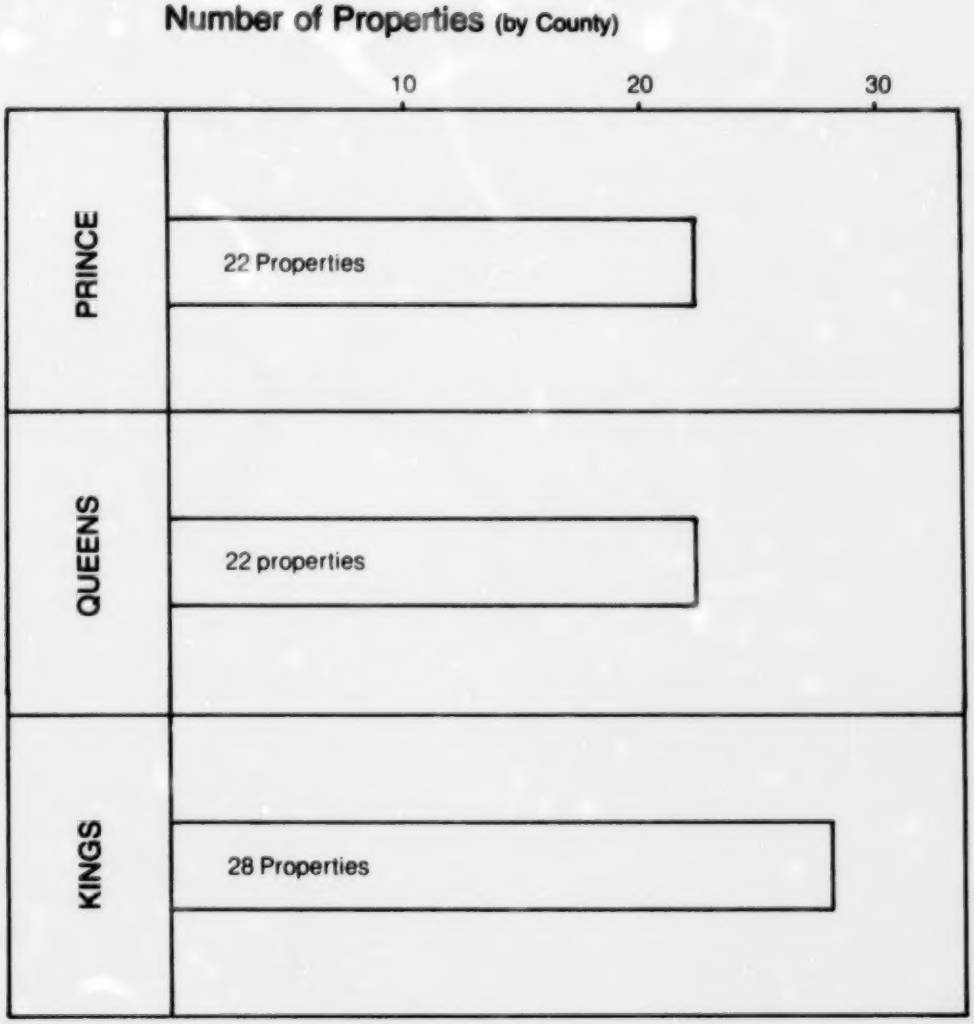
Sale of property during the year	$797,898
Less: Cost of property sold	812,551
	$(14,653)

9. Included in land and buildings is property purchased for Parks Canada. The cost of this property was $855,622 and as of this date the transfer has not taken place.

10. Prior year's figures have been reclassified to present the financial statements on a comparative basis.

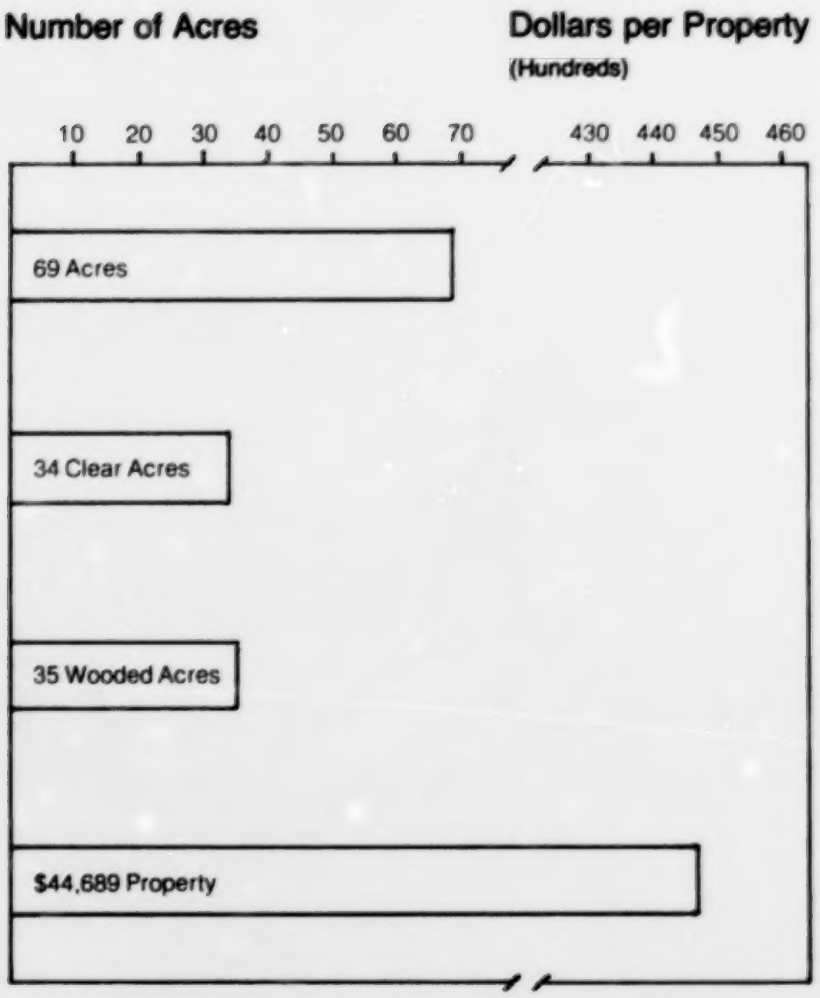
1982 - 1983 SUMMARY OF LDC PURCHASES

72 Properties



1982 - 1983 SUMMARY OF LDC PURCHASES

(Average Acreage Figures)



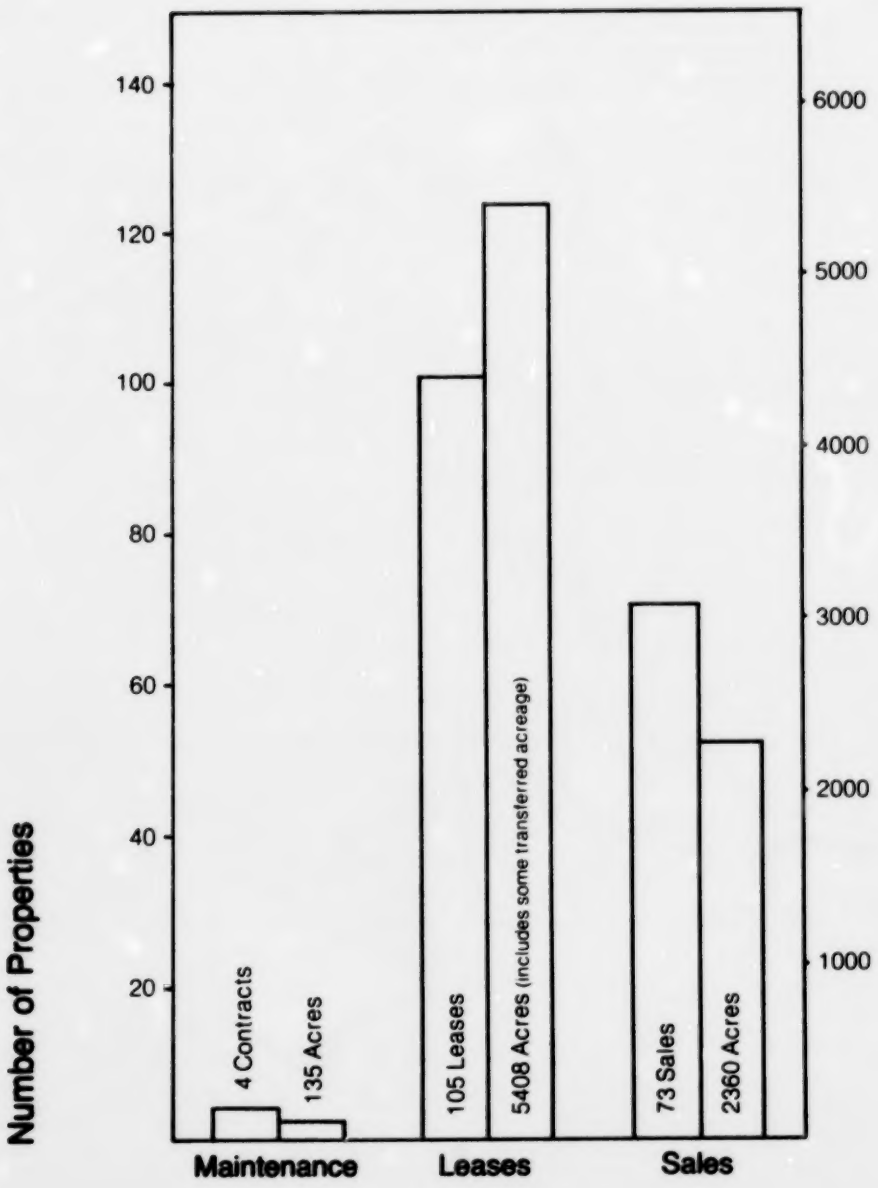
1982 - 1983 SUMMARY OF LDC PURCHASES

Number of Properties
Number of Dollars
Number of Acres

PROPERTIES	72 Properties (excluding Building Improvements) 44 Building Improvements (Individual Advances — 19 Individuals)
DOLLARS	$3,217,672 Total Cost (excluding Building Improvements) $206,335 Building Improvements
ACRES	5661.77 Acres

1982 - 1983 SUMMARY USE OF LANDS

(agreements completed 1982 - 1983)

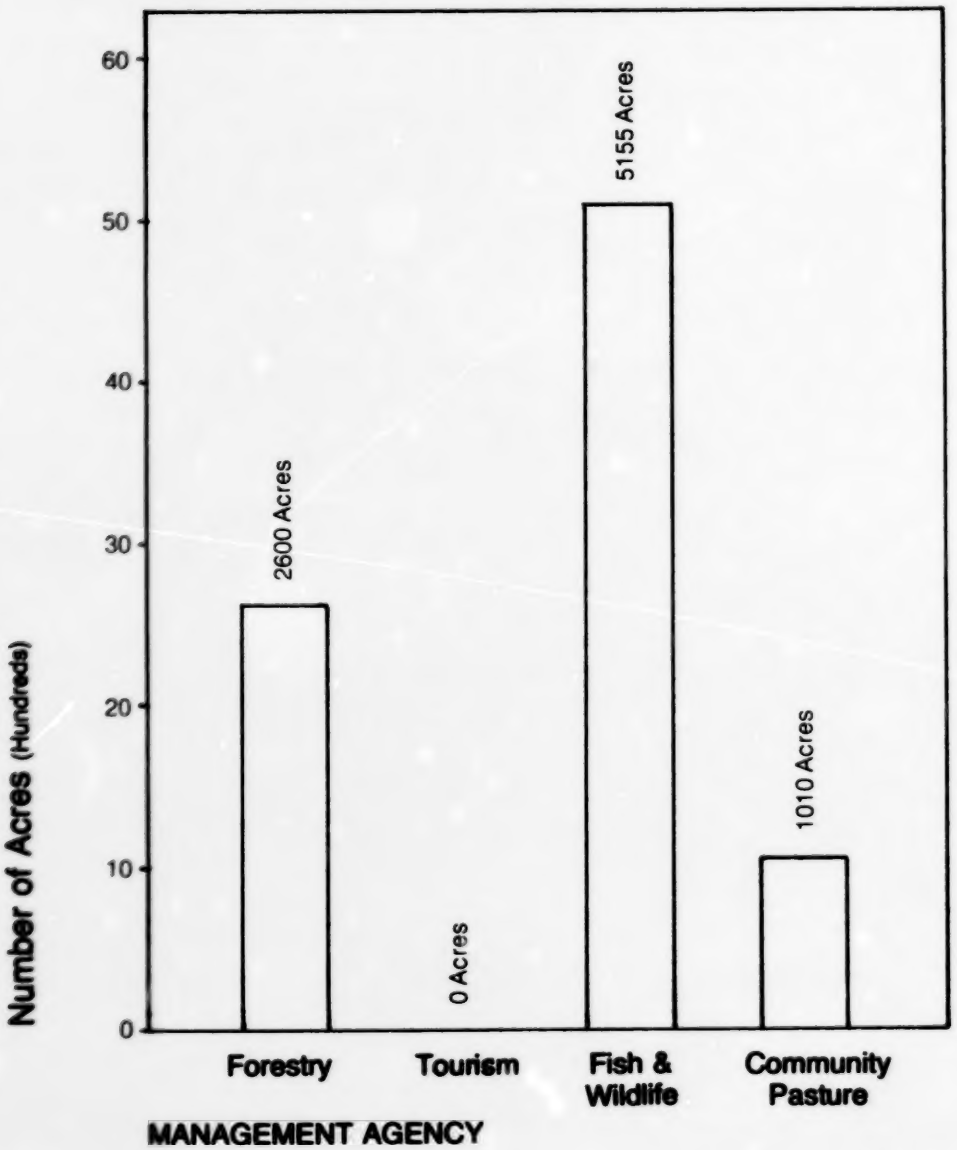


SUMMARY USE OF LANDS

(Cumulative to March 31, 1983)

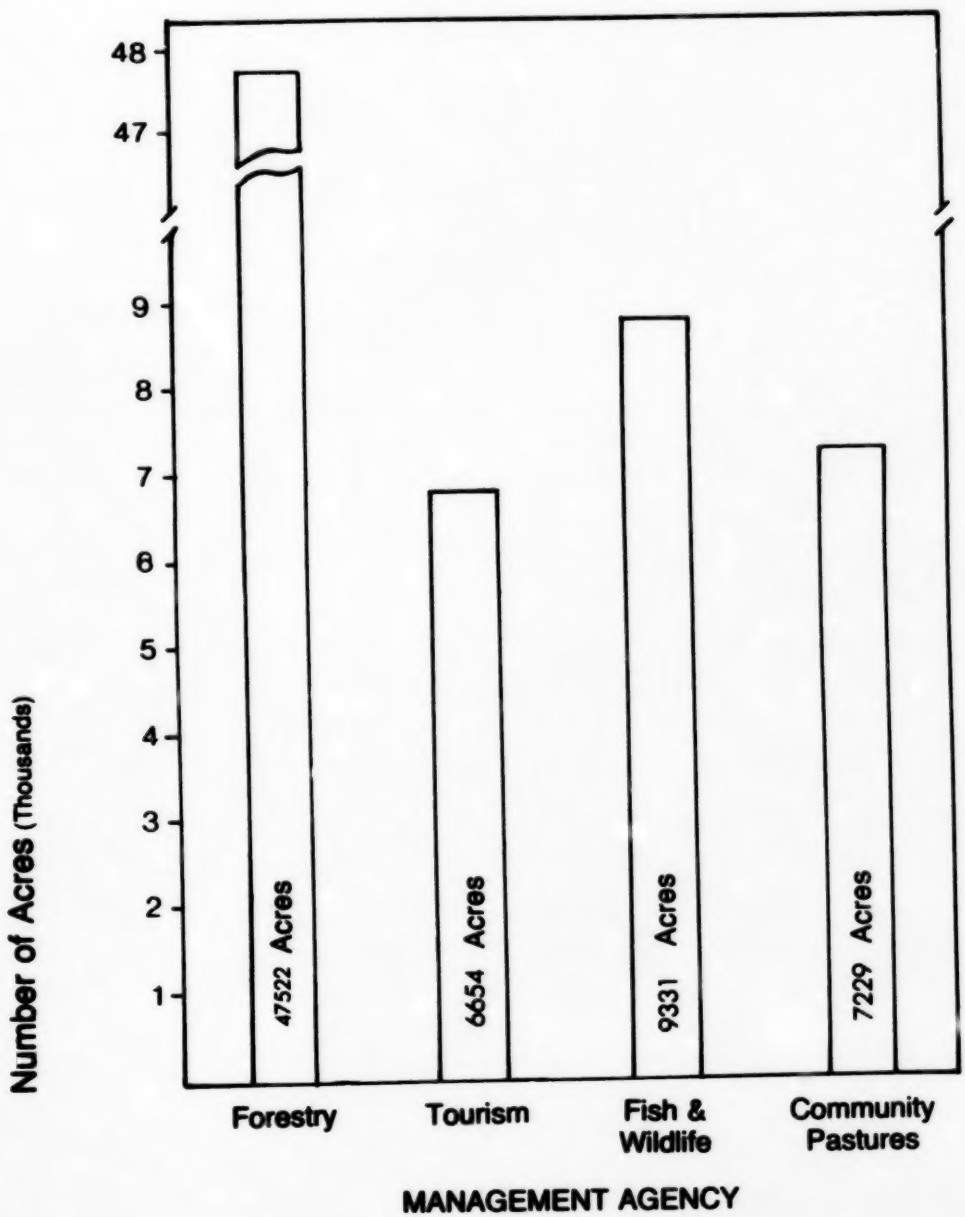
1982 - 1983 TRANSFER OF LANDS

(including adjustment and deleakage)



TRANSFER OF LANDS

(Cumulative to March 31, 1983)



POOR

QUALITY

ORIGINAL